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19  
20 Attorney for Defendant ARCO Terminal Services Corporation

21 UNITED STATES DISTRICT COURT  
22 CENTRAL DISTRICT OF CALIFORNIA

23 UNITED STATES OF AMERICA, )

24 )  
25 Plaintiff, )

26 v. )

27 ARCO TERMINAL SERVICES CORP., )

28 Defendant. )  
\_\_\_\_\_ )

CIVIL NO. 99-12216

CONSENT DECREE

1           WHEREAS Plaintiff the United States of America on behalf of the United  
2  
3 States Environmental Protection Agency (the "United States") has filed a civil  
4 action against ARCO Terminal Services Corporation (hereinafter "ATSC"),  
5 identified by Case Number \_\_\_\_\_;  
6

7           WHEREAS the United States alleged that, on at least 294 occasions  
8  
9 between February 11, 1995 and May 16, 2002, ATSC loaded vessels with "organic  
10 liquids" as defined by South Coast Air Quality Management District  
11 ("SCAQMD") Rule 1142 as approved by EPA on December 13, 1994 and  
12 incorporated into the California State Implementation Plan ("Rule 1142") at its  
13 marine terminal at Pier B (Berths 76, 77, and 78) at the Port of Long Beach  
14 ("Marine Terminal") in violation of the requirements of Rule 1142;  
15  
16

17           WHEREAS the United States and Defendant ATSC have reached a  
18  
19 settlement on the violations identified in the complaint;  
20

21           WHEREAS the parties have agreed that settlement of the civil claims  
22 alleged in the complaint is in the public interest and that entry of this Consent  
23 Decree without further litigation is the most appropriate way to resolve the  
24 allegations in the complaint;  
25  
26

27           WHEREAS ATSC denies the material allegations of the complaints, and  
28

1 this Consent Decree does not constitute an admission of liability on the part of  
2  
3 ATSC;

4 WHEREAS the parties have cooperated during settlement discussions to  
5  
6 reach a mutually agreeable resolution;

7 THEREFORE, IT IS ORDERED, ADJUDGED, AND DECREED as  
8  
9 follows:

10  
11 I. JURISDICTION AND PARTIES BOUND

12 1. This Court has jurisdiction over the subject matter of this action and  
13  
14 ATSC pursuant to 42 U.S.C. § 7413(b), 28 U.S.C. §§ 1331, 1345, and 1355, and  
15  
16 33 U.S.C. § 1415(d). Venue is proper in the Central District of California  
17  
18 pursuant to 28 U.S.C. §§ 1391(b) and 1395, 42 U.S.C. § 7413(b), and  
19  
20 33 U.S.C. § 1415(g)(3)(A). The United States' complaint states claims upon  
21  
22 which relief may be granted against ATSC. Notice of the commencement of this  
23  
24 action has been given to the State of California through the SCAQMD. ATSC  
25  
26 consents to and shall not challenge entry of this Consent Decree or this Court's  
27  
28 jurisdiction to enter, enforce, modify, or terminate this Consent Decree.

2. This Consent Decree shall apply to and be binding upon ATSC and  
its directors, successors, and assigns, and upon the United States.

1           3.     If ATSC transfers any ownership interest in or right to operate its  
2 Marine Terminal, including but not limited to the sale, lease, or licensing of others  
3 to operate all or part of the Marine Terminal, ATSC shall give notice of this  
4 Consent Decree to any successor in interest prior to such transfer. ATSC shall  
5 send a copy of such written notification to the United States prior to such sale or  
6 transfer. Upon sale or transfer of the Marine Terminal, ATSC shall attach a copy  
7 of this Consent Decree to the agreement by which such facility is sold or  
8 transferred. Transfer of ownership of the Marine Terminal will not relieve ATSC  
9 from any obligations in the Consent Decree with respect to ATSC's use of the  
10 Marine Terminal, the payment of a civil penalty or the performance of the  
11 supplemental environmental projects as set forth in this Consent Decree.  
12  
13  
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16

## 17                               II.    CIVIL PENALTY

18

19           4.     Within THIRTY (30) days after the entry of this Consent Decree,  
20 ATSC shall pay a civil penalty of TWO HUNDRED TWENTY-FIVE  
21 THOUSAND DOLLARS (\$225,000) to the United States, plus interest at the  
22 statutory rate applicable to judgments, 28 U.S.C. § 1961, accruing as of THIRTY  
23 (30) days after the date of entry of the Consent Decree through the date of  
24 payment.  
25  
26  
27  
28

1           5.     Payments under this Consent Decree shall be made by Electronic  
2  
3 Fund Transfer (“EFT”) to the U.S. Treasury according to current United States  
4 EFT procedures. Prior to making any payments, ATSC shall request current EFT  
5 procedures from the Financial Litigation Unit of the U.S. Attorney’s Office for the  
6 Central District of California. Concurrently with the electronic funds transfer,  
7 ATSC shall fax notice of payment to the person designated as “Point of Contact”  
8  
9 on the EFT transfer instructions, and shall send notice of payment to EPA and the  
10 United States Department of Justice (“DOJ”) at the addresses listed in Section IX  
11  
12 (Notification). The notice of payment shall identify: (1) the date and amount of  
13 money transferred; (2) the name and address of the transferring bank; (3) this case  
14 by name; (4) the civil action number; (5) USAO File # 1999-VO-2775;  
15  
16 (6) DOJ # 90-5-2-1-06559; (7) this Consent Decree (including date of entry); and  
17  
18 (8) a description of the reason for the payment (including the paragraph number of  
19 this Consent Decree that is most relevant to the payment).  
20  
21

### 22                   III.     SUPPLEMENTAL ENVIRONMENTAL PROJECT

23  
24           6.     ATSC shall implement the ATSC Supplemental Environmental  
25 Project (“ATSC SEP”), in accordance with the terms and schedules set out in this  
26 Consent Decree and in Attachment 1 which is attached to, incorporated into, and  
27  
28

1 fully enforceable under, this Consent Decree. The ATSC SEP shall be completed  
2 within THREE (3) years after entry of this Consent Decree, or at another time  
3 mutually agreed upon by ATSC and EPA. The ATSC SEP involves the  
4 elimination of substantial amounts of harmful air emissions from diesel fueled  
5 vehicles and equipment through the completion of discrete projects meeting the  
6 criteria identified in Attachment 1, Paragraph 2. The ATSC SEP is intended to  
7 yield significant environmental or public health benefits and the anticipated  
8 emission reductions go beyond the requirements of existing law. In implementing  
9 the ATSC SEP, ATSC shall spend a total of not less than SIX HUNDRED  
10 SEVENTY-FIVE THOUSAND DOLLARS (\$675,000) in eligible ATSC SEP  
11 costs as well as any and all escrow interest accrued. Eligible ATSC SEP costs are  
12 defined in Paragraph 2 of Attachment 1 and include the costs of planning and  
13 implementing the ATSC SEP, but do not include ATSC's overhead, additional  
14 employee time and salary, administrative expenses, legal fees, and contractor  
15 oversight.

16  
17 7. ATSC is responsible for the satisfactory completion of the ATSC SEP  
18 in accordance with the requirements of this Consent Decree. To have  
19 satisfactorily completed the ATSC SEP, ATSC shall have fully funded and  
20 ensured completion of the ATSC SEP in accordance with this Consent Decree and  
21  
22  
23  
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1 Attachment 1 hereto. "Fully fund" means establishing interest-bearing escrow  
2  
3 accounts in the amounts specified for the ATSC SEP according to the  
4 requirements of this Consent Decree and Attachment 1 hereto.

5  
6 8. With regard to the ATSC SEP, ATSC certifies the truth and accuracy  
7 of each of the following:

8  
9 (a) That, as of the date of executing this Consent Decree, ATSC is  
10 not required to perform or develop the ATSC SEP by any federal, state, or local  
11 law or regulation, nor is ATSC required to perform or develop the ATSC SEP by  
12 agreement, grant, or as injunctive relief awarded in any other action in any forum;

13  
14  
15 (b) That the ATSC SEP is not a project that ATSC was planning or  
16 intending to construct, perform, or implement other than in settlement of the  
17 claims resolved in this Consent Decree;

18  
19  
20 (c) That ATSC has not received, and is not negotiating to receive,  
21 credit for the ATSC SEP in any other enforcement action;

22  
23 (d) That ATSC will not receive any reimbursement for any portion  
24 of the ATSC SEP from any other person; and

25  
26 (e) ATSC also agrees that any emissions reductions resulting from  
27 projects required by this Section shall be for the benefit of the environment only  
28

1 and ATSC shall not bank, claim, transfer, or in any way use any emission  
2 reductions that result from them in connection with any emissions reduction  
3 trading or permitting program under the California SIP or any other applicable  
4 regulatory program under the Clean Air Act.  
5  
6

7 9. SEP Quarterly Reports - Within THIRTY (30) days after the end of  
8 each calendar-year quarter (i.e., by April 30, July 30, October 30, and January 30)  
9 after lodging of this Consent Decree, until termination of this Consent Decree  
10 pursuant to Paragraph 55, ATSC shall submit by overnight delivery or certified  
11 mail a quarterly report for the preceding quarter that shall contain the following:  
12  
13

14 (a) a narrative description of the activities undertaken on the  
15 ATSC SEP to date;  
16  
17

18 (b) an itemization, with copies of supporting documentation, of the  
19 deposits made to each escrow account established for the respective ATSC SEP  
20 and/or of the costs expended or authorized by ATSC to be expended on the ATSC  
21 SEP (including the expenditure or authorization for expenditure dates and a  
22 remaining balance of account) during that quarterly period;  
23  
24

25 (c) a financial balance sheet for the escrow account identifying all  
26 debits to the account, deposits made to the account, accrued interest, the current  
27  
28



1 balance of the account; and

2  
3 (d) an explanation of any difficulties or delays in the  
4 implementation of the ATSC SEP including compliance with any schedules or  
5 milestones established by the California Air Resources Board ("CARB") or  
6 Gateway Cities' Program ("Gateway").  
7

8  
9 ATSC shall continue to submit SEP-related information in the quarterly reports to  
10 EPA until the ATSC SEP is certified complete under Paragraph 10 of this Consent  
11 Decree or within SIXTY (60) days after three years from entry of the Consent  
12 Decree, whichever is earlier.  
13

14  
15 10. SEP Completion Report - A separate SEP Completion Report will be  
16 issued by ATSC covering all the projects overseen by CARB and by Gateway,  
17 respectively, within SIXTY (60) days of these organizations completing their  
18 portion of the ATSC SEP. The SEP Completion Reports shall each contain the  
19 following information:  
20  
21

22 (a) A description of the ATSC SEP as implemented;  
23

24 (b) A description of any problems encountered in completing the  
25 ATSC SEP and the solutions thereto;  
26

27 (c) Certification that the ATSC SEP has been fully implemented  
28

1 pursuant to the provisions of this Consent Decree;

2  
3 (d) A description of the environmental and public health benefits  
4 resulting from implementation of the ATSC SEP (with a quantification of the  
5 benefits and pollutant reductions, if feasible).  
6

7 (e) An itemized list and description of all eligible ATSC SEP  
8 costs; and  
9

10 (f) For all eligible ATSC SEP costs, itemized copies of purchase  
11 orders and receipts or canceled checks as well as a certified statement that ATSC  
12 has not, and will not, use any ATSC SEP costs as, or in furtherance of, a tax  
13 deduction for ATSC, or any of its corporate affiliates, under federal, state or local  
14 law.  
15  
16  
17

18 11. EPA may, in its sole discretion, require information by issuing an  
19 information request pursuant to 42 U.S.C. § 7414, in addition to that described in  
20 the preceding Paragraph, in order to determine the adequacy of SEP completion or  
21 eligibility of SEP costs.  
22  
23

24 12. Following receipt of each SEP Completion Report, EPA will do one  
25 of the following:  
26  
27  
28

1 (a) provide written notice that it accepts the SEP Completion  
2 Report;  
3

4 (b) reject the SEP Completion Report and provide written notice to  
5 ATSC of any deficiencies, and grant ATSC an additional THIRTY (30) days, and  
6 such other additional time as EPA may in its sole and unreviewable discretion  
7 conclude is reasonable, in which to correct any deficiencies; or  
8  
9

10 (c) reject the SEP Completion Report and provide written notice to  
11 ATSC of its failure to satisfactorily complete the ATSC SEP in accordance with  
12 the requirements of this Consent Decree, and seek stipulated penalties as specified  
13 in the Consent Decree.  
14  
15

16 13. ATSC shall maintain, for a period of one year after EPA accepts the  
17 SEP Completion Report, legible copies of documentation of the underlying  
18 research and data for any and all documents or reports submitted to EPA regarding  
19 the ATSC SEP, and ATSC shall provide the documentation of any such  
20 underlying research and data to EPA within FOURTEEN (14) days of a request  
21 for such information.  
22  
23  
24

25 14. Application of any control technologies or ULSD in implementing  
26 the ATSC SEP shall not be construed as an endorsement or approval by EPA of  
27  
28

1 any particular brand of such product or technology. Also, the involvement of any  
2 third party in the implementation of the ATSC SEP is not intended nor shall it be  
3 construed as a specific endorsement or approval by EPA of such third party or of  
4 any product or service provided by such third party.  
5  
6

7 15. For all certifications ATSC is required to make under Paragraphs 9  
8 and 10 of the Consent Decree relating to the performance and completion of the  
9 ATSC SEP, ATSC may place reasonable reliance on the accuracy of reports or  
10 other written information authored by EPA, CARB or Gateway.  
11  
12

13 16. Disputes concerning the satisfactory performance of the ATSC SEP  
14 and the amount of eligible ATSC SEP costs may be resolved under Section VIII of  
15 this Consent Decree (Dispute Resolution). No other disputes arising under this  
16 Section shall be subject to Dispute Resolution.  
17  
18

19 17. Any public statement, oral or written, in print, film, or other media,  
20 made by ATSC making reference to the ATSC SEP under this Consent Decree  
21 shall include the following language, "This project was undertaken in connection  
22 with the settlement of an enforcement action, United States v. ATSC, taken on  
23 behalf of the U.S. Environmental Protection Agency resolving allegations that  
24 ATSC violated the federal Clean Air Act."  
25  
26  
27  
28

18. If a force majeure event prevents ATSC from performing or ensuring the performance of a portion of the ATSC SEP without expending all of the funds designated for the ATSC SEP's implementation in Attachment 1, ATSC shall notify EPA in accordance with Section IX of the Consent Decree. Upon EPA's agreement that the ATSC SEP cannot be satisfactorily completed, ATSC shall halt work on the ATSC SEP, compute the amount of any funds (including accrued interest) designated for the ATSC SEP that have not been spent and, after obtaining agreement from EPA, direct such funds to another of the projects described in the Consent Decree and Attachment 1, as applicable.

19. Each report submitted by ATSC under this Section shall be signed by a duly authorized ATSC official in accordance with Section IX of this Consent Decree. This certification requirement does not apply to emergency or similar notifications where compliance would be impractical.

#### IV. INJUNCTIVE RELIEF

20. Until the termination of this Consent Decree, ATSC shall not conduct any loading, lightering or housekeeping event, as defined in Rule 1142, at its Marine Terminal without reducing emissions of volatile organic compounds (“VOC”) by at least 95 percent by weight from uncontrolled conditions; provided,

1 however, that if a source test performed to determine the control efficiency of  
2  
3 ATSC's VOC control equipment while loading a particular type of petroleum  
4 product shows that controlled emissions are less than 2 pounds per 1000 barrels of  
5 product loaded, then the reduction in VOC emissions for that particular product  
6  
7 may be less than 95 percent. Regardless of the level of uncontrolled emissions or  
8  
9 the type of petroleum product or petroleum product vapor involved in the loading,  
10 lightering or housekeeping event, ATSC must control emissions during all  
11  
12 loading, lightering or housekeeping events at its Marine Terminal through the use  
13  
14 of a permitted control device operated consistent with good pollution control  
15  
16 practice for minimizing emissions.

16 21. ATSC shall notify the United States within TEN (10) days of receipt  
17  
18 of information that the control technology required pursuant to Paragraph 20 is not  
19  
20 being used by it or a third party at its Marine Terminal. ATSC will be subject to  
21  
22 stipulated penalties for such a failure under Paragraph 29. ATSC shall also  
23  
24 include this notification in its quarterly reports.

23 22. ATSC shall not avoid the requirements of this Consent Decree or the  
24  
25 requirements of Rule 1142 for the control of VOC emissions during housekeeping  
26  
27 events by sending vessels that have been unloaded at the Marine Terminal  
28  
elsewhere for the purpose of gas-freeing or venting the cargo holds without the

1 use of VOC emission controls.

2  
3 23. Initial Report - ATSC shall submit an initial report to EPA within  
4 THIRTY (30) days of the effective date of this Consent Decree describing how it  
5 will comply with the requirements of Paragraph 20 by describing the type and  
6 manufacturer of the control device, how it will verify on an ongoing basis the  
7 control efficiency of the device, and procedures for ensuring that every loading,  
8 lightering or housekeeping event occurring at its Marine Terminal will be  
9 controlled.  
10  
11  
12

13 24. ATSC shall operate any and all control devices used to comply with  
14 Section IV of this Consent Decree pursuant to and consistent with conditions set  
15 forth in a permit to operate issued by SCAQMD which covers the use of such  
16 devices.  
17  
18

19 25. Change of Emission Controls System - If at any point ATSC changes  
20 its emission control system or adds additional controls, ATSC shall obtain from  
21 SCAQMD a new or modified ATC and/or PTO covering the new controls prior to  
22 commencing operation of the new controls. ATSC shall submit a notification to  
23 U.S. EPA at the same time it submits the permit application to SCAQMD  
24 providing notice of such change and/or addition of the new controls, identification  
25  
26  
27  
28

1 of what types of loads will be controlled with the new and/or additional controls,  
2 and a copy of the permit application covering construction and/or operation of the  
3 control system. The new ATC and/or PTO must require compliance with the  
4 emission standards set forth at 1142(c)(1)(B)(ii) for the control system.  
5  
6

7       26. Quarterly Reports - ATSC shall provide the United States with  
8 quarterly reports which includes the relevant information set forth in subsection  
9 (h) of Rule 1142 for each and every loading, lightering or housekeeping event  
10 conducted at its Marine Terminal during the quarterly period. For each event, the  
11 quarterly report should specify the type of emission control device used to meet  
12 the control requirements of Paragraph 20. The reports shall be submitted no later  
13 than THIRTY (30) days after the end of the calendar quarter for which the report  
14 is being submitted.  
15  
16  
17  
18

## 19                               V.   STIPULATED PENALTIES

20  
21       27. Subject to the force majeure provisions of Section VII, ATSC shall be  
22 liable for stipulated penalties for failure to pay the penalty set forth as required by  
23 this Consent Decree as follows:  
24

25               (a) for ATSC's failure to pay the civil penalty set forth in Section  
26 II (Civil Penalties): \$5,000 for each day of failure to comply;  
27  
28



1 (b) for ATSC's failure to comply with any of the procedures for  
2 paying the civil penalty set forth in Section II (Civil Penalties): \$1,000 for each  
3 day of failure to comply;  
4

5  
6 28. SEP Stipulated Penalties: Subject to the force majeure provisions of  
7 Section VII, ATSC shall be liable for stipulated penalties for failure to implement  
8 the SEP required by this Consent Decree as follows:  
9

10 (a) If by SIXTY (60) days after THREE (3) years from entry of the  
11 Consent Decree or another date as determined in accordance with Paragraph 6  
12 above, ATSC has satisfactorily completed the SEP but spent less than the amount  
13 of \$675,000 in eligible ATSC SEP costs plus any and all escrow interest accrued,  
14 as set forth in Paragraph 30, ATSC shall pay a stipulated penalty equal to the  
15 difference between the \$675,000 and accrued interest, and the amount of total  
16 eligible ATSC SEP costs incurred by ATSC; or  
17  
18  
19

20  
21 (b) If ATSC fails to establish an interest-bearing SEP escrow  
22 account or to fund it, within THIRTY (30) days after entry of the Consent Decree,  
23 at the amounts specified herein, ATSC shall pay a stipulated penalty equal to  
24 \$27,500, which shall be in addition to any stipulated penalty assessed under  
25 Subparagraph (c), (d), or (g). The penalty under this Subparagraph shall accrue as  
26  
27  
28

1 of the date establishment and funding of the escrow account is due; or

2  
3 (c) If ATSC halts or abandons ATSC SEP implementation  
4 activities required by this Consent Decree and Attachment 1, ATSC shall pay a  
5 stipulated penalty equal to the amount of the difference between the \$675,000 and  
6 accrued interest, and the amount of total eligible ATSC SEP costs incurred by  
7 ATSC. The penalty under this Subparagraph shall accrue as of the date EPA  
8 determines ATSC SEP implementation ceases; or  
9  
10

11  
12 (d) If ATSC has spent \$675,000 in eligible ATSC SEP costs, but  
13 EPA determines either: (a) that EPA did not timely receive the information ATSC  
14 is required to provide it in accordance with Paragraph 4(b) of Attachment 1 so that  
15 EPA may object to the release or prior approval of some of the funds ("unreviewed  
16 funds"); or (b) that the recipients of some of the funds did not spend them in  
17 accordance with the information provided to EPA prior to release or prior approval  
18 of the funds ("improperly spent funds"), ATSC shall pay a stipulated penalty equal  
19 to the difference between the \$675,000 and accrued interest, and the combined  
20 amount of unreviewed funds or improperly spent funds.  
21  
22  
23  
24

25 (e) Notwithstanding the amounts identified as stipulated penalties  
26 in subparagraphs (a), (b), and (d) above, in the circumstances identified in  
27  
28

1 subparagraphs (c) and (d) under which the SEP has not been completed  
2 satisfactorily, ATSC shall also pay an additional stipulated penalty equal to 15%  
3 of the total amount of the difference between the \$675,000 and accrued interest,  
4 and the amount of total eligible ATSC SEP costs incurred by ATSC.  
5  
6

7 (f) Notwithstanding the provisions of (a) through (e) above, if  
8 EPA determines that ATSC: 1) made good faith and timely efforts to complete the  
9 SEP; and 2) ATSC certifies, with supporting documentation, that at least 95% of  
10 the amount of money which was required to be spent was expended on the ATSC  
11 SEP, no stipulated penalty shall be assessed.  
12  
13

14 (g) If ATSC fails to comply with the schedule for submitting any  
15 ATSC SEP Completion Report, any quarterly ATSC SEP report regarding  
16 implementation of the ATSC SEP, fails to comply with the schedule for  
17 establishing fully funded escrow accounts, as required under this Consent Decree  
18 and Attachment 1, ATSC shall pay, in addition to any stipulated penalties required  
19 under Subparagraphs (a), (b), (c), (d) and (e) above, stipulated penalties for each  
20 such failure to report, as follows:  
21  
22  
23  
24  
25  
26  
27  
28

Penalty Per Violation Per Day

Period of Noncompliance

\$1,000

1st through 20th day

\$2,500

each day beyond 20

Such penalties shall accrue from the date ATSC was required to submit each ATSC SEP report until the relevant report is submitted.

29. Subject to the force majeure provisions of Section VII, ATSC shall be liable for stipulated penalties for failure to comply with the terms and conditions of this Consent Decree as follows:

(a) If ATSC fails to comply with any requirement of Section IV (Injunctive Relief), except notification requirements and emission control requirements of Paragraph 20, ATSC shall pay the following stipulated penalty for each event occurring on the same day or on different days and starting with the first violation:

Penalty Per Violation Per Day

Period of Noncompliance

\$5,000

first through fifth day

\$10,000

sixth through tenth day

\$20,000

each day after first ten;

1 (b) If ATSC fails to comply with the emission control requirements  
2  
3 of Paragraph 20, Section IV (Injunctive Relief), ATSC shall pay the following  
4 stipulated penalty: \$20,000 for each loading, lightering or housekeeping event  
5 performed in violation of those requirements;  
6

7 (c) If ATSC fails to comply with any notification requirement of  
8  
9 Section IV (Injunctive Relief), ATSC shall pay the following stipulated penalty:  
10 \$2,000 for each day of each failure to comply;  
11

12 (d) If ATSC fails to comply with any requirement of Section V  
13 (Stipulated Penalties), ATSC shall pay the following stipulated penalty: \$1,000  
14 for each day of each failure to comply;  
15

16 (e) If ATSC fails to comply with any requirement of Section VI  
17 (Right of Entry), ATSC shall pay the following stipulated penalty: \$10,000 for  
18 each day of each failure to comply.  
19  
20

21 30. Any stipulated penalty accruing pursuant to this Consent Decree shall  
22 be payable upon demand and due not later than THIRTY (30) days from EPA's  
23 written demand. Such demand shall be sent by certified mail. If ATSC disputes  
24 the claimed violation, ATSC may initiate the dispute resolution procedures set  
25 forth in Section VIII (Dispute Resolution). Interest shall accrue on unpaid  
26  
27  
28

1 stipulated penalties that are due and owing THIRTY (30) days after EPA's written  
2 demand at the statutory rate for judgments, 28 U.S.C. § 1961. Stipulated penalties  
3 shall be paid in the same manner as set forth in Paragraph 5.  
4

5  
6 31. Payment of stipulated penalties for a violation of this Consent Decree  
7 shall be in addition to the right of the United States to seek other judicial or  
8 administrative relief for the violations that led to stipulated penalties. In addition,  
9 the United States reserves its right to pursue any or all relief for any or all  
10 violations outside the purview of this Consent Decree.  
11  
12

#### 13 VI. RIGHT OF ENTRY 14

15 32. EPA and its contractors, consultants, and agents shall have authority  
16 to inspect ATSC's Marine Terminal at all reasonable times, upon proper  
17 presentation of credentials. This provision does not apply to vessels not owned or  
18 under the control of ATSC. In addition, this provision in no way limits or  
19 otherwise affects any right of entry held by EPA pursuant to applicable federal,  
20 state, or local laws, regulations, or permits.  
21  
22

#### 23 VII. FORCE MAJEURE 24

25 33. ATSC shall satisfy the requirements of Sections III (Injunctive Relief)  
26 and IV (Supplemental Environmental Projects), except to the extent, and for the  
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1 period of time, that such performance is prevented or delayed by events which  
2 constitute a force majeure.  
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4       34. For the purposes of this Consent Decree, a force majeure is defined as  
5 any event that arises from causes beyond the control of ATSC, including beyond  
6 the control of any of ATSC's agents, contractors, consultants or any other entity  
7 within the control of ATSC, and which cannot be overcome by diligent and timely  
8 efforts by ATSC or ATSC's agents, contractors, consultants or any other entity  
9 within the control of ATSC. Economic hardship, normal inclement weather, and  
10 increased costs of performance shall not be considered events beyond the control  
11 of ATSC or ATSC's agents, contractors, consultants or any other entity within the  
12 control of ATSC for purposes of determining whether an event is a force majeure.  
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18       35. In the event of a force majeure event, the time for performance of the  
19 activity delayed by the force majeure shall be extended for the time period of the  
20 delay attributable to the force majeure. The time for performance of any activity  
21 dependent on the delayed activity shall be similarly extended, except to the extent  
22 that the dependent activity can be implemented in a shorter time. The United  
23 States, through EPA, shall determine whether dependent activities will be delayed  
24 by the force majeure and whether the time period should be extended for  
25 performance of such activities. ATSC shall adopt all reasonable measures to  
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1 avoid or minimize any delay caused by a force majeure.

2  
3 36. When an event occurs or has occurred that may delay or prevent the  
4 performance of any obligation under this Consent Decree, ATSC shall notify by  
5 telephone, (415)744-1138, the Chief, Air Enforcement Office, Air Division of  
6 EPA, Region 9, within 72 hours of ATSC's knowledge of such event. Telephone  
7 notification shall be followed by written notification, made within SEVEN (7)  
8 days of ATSC's knowledge of the event. The written notification shall fully  
9 describe: the event that may delay or prevent performance; reasons for the delay;  
10 whether ATSC claims that the delay resulted from an event which qualifies as a  
11 force majeure; the reasons any such delay is beyond the reasonable control of  
12 ATSC; the anticipated duration of the delay; actions taken or to be taken to  
13 prevent or minimize the delay; a schedule for implementation of any measures to  
14 be taken to mitigate the effect of the delay; and the time needed to implement any  
15 dependent activities. For purposes of this Section, ATSC will be deemed to have  
16 known of any circumstance that any of ATSC's agents, contractors, consultants, or  
17 any other entity within the control of ATSC, knew or should have known.  
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25 37. ATSC's failure to comply with the force majeure notice requirements  
26 provided herein for any delay in performance will be deemed an automatic  
27 forfeiture of its right to assert that the delay was caused by a force majeure.  
28



38. After receiving notice from ATSC of a force majeure, the United States, through EPA, shall provide written notification to ATSC stating whether it agrees that there was a force majeure event and whether ATSC's request for a delay is justified. If the United States does not respond to a request for a delay within THIRTY (30) days, the failure to respond may be treated by ATSC as a denial of the request. If ATSC disagrees with the United States' force majeure determination, ATSC may initiate dispute resolution procedures pursuant to Section VIII (Dispute Resolution).

## VIII. DISPUTE RESOLUTION

39. If ATSC disputes any determination made by the United States under this Consent Decree related to: (1) a request for stipulated penalties, (2) a determination related to force majeure, or (3) the termination of the Consent Decree pursuant to Paragraph 55, ATSC shall send a written notice to the United States outlining the nature of the dispute, attaching or including all documents relating to the dispute, and requesting informal negotiations to resolve the dispute. Such period of informal negotiations shall not extend beyond FIFTEEN (15) working days from the date when the notice was sent unless the parties agree otherwise.

1           40. If the informal negotiations are unsuccessful, the determination of the  
2 United States shall control, unless ATSC files a motion with this Court for dispute  
3 resolution. Any motion and notice of such motion must be filed within THIRTY  
4 (30) days after receipt by ATSC of a notice in writing terminating informal  
5 negotiations and such motion and notice of motion must be concurrently sent to  
6 DOJ and EPA. The United States shall then have THIRTY (30) days to respond to  
7 ATSC's motion. In any such dispute resolution proceeding, ATSC bears the  
8 burden of proof, by a preponderance of the evidence, including, but not limited to:  
9 (i) with respect to stipulated penalties under Section IV (Stipulated Penalties), that  
10 ATSC did not violate the terms and conditions of this Consent Decree; (ii) with  
11 respect to force majeure under Section VI, that the delay was caused by  
12 circumstances beyond the reasonable control of ATSC, its agents, contractors,  
13 consultants or any other entity within the control of ATSC; all reasonable  
14 measures were taken to avoid or minimize delay; and the duration of the delay was  
15 reasonable under the circumstances; and (iii) with respect to termination of the  
16 Consent Decree pursuant to Paragraph 55, that ATSC has satisfied all of its  
17 obligations under this Consent Decree.

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23           41. A timely motion by ATSC will not toll the accrual of stipulated  
24 penalties under this Consent Decree except that a timely motion will toll stipulated  
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1 penalties for failure to pay stipulated penalties. If the United States prevails in any  
2  
3 dispute resolution, ATSC shall reimburse the United States for the costs, including  
4 attorney's fees, of defending the motion for dispute resolution.

## 5 6 IX. NOTIFICATION

7 42. Except as otherwise specifically stated herein, all notices and  
8  
9 submissions required by this Consent Decree shall be sent by certified mail,  
10 express mail, or similar overnight mail delivery service with return receipt  
11  
12 requested.

13 43. All notices and reports by ATSC shall be signed and affirmed by a  
14  
15 corporate official with management responsibility for the subject matter of the  
16 notice or report, using the following certification:

17  
18 I certify under penalty of law that I have examined and  
19  
20 am familiar with the information submitted in this  
21  
22 document and all attachments and that, based on inquiry  
23  
24 of those individuals immediately responsible for  
25  
26 obtaining the information, I certify that the information  
27  
28 is true, accurate, and complete to the best of my  
knowledge, information, and belief. I am aware that

1           there are significant penalties for submitting false  
2  
3           information, including the possibility of fines and  
4  
5           imprisonment.

6           44. All notices and reports submitted to EPA or DOJ shall refer to this  
7 Consent Decree and the date of entry of the Consent Decree, and shall cite the case  
8 name of United States v. ATSC U.S.A., Inc., the case number, and  
9 DOJ# 90-5-2-1-06559. Notices and reports to the United States as required by this  
10 Consent Decree shall be submitted to:  
11

12           Chief, Environmental Enforcement Section  
13           Environment & Natural Resources Division  
14           United States Department of Justice  
15           P.O. Box 7611  
16           Washington, D.C. 20044-7611  
17

18  
19           if by regular mail or post office express mail, and to  
20

21           Chief, Environmental Enforcement Section  
22           Environment & Natural Resources Division  
23           United States Department of Justice  
24           1425 New York Avenue, 13th Floor  
25           Washington, D.C. 20005  
26  
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28

1 if by private overnight mail service; and to  
2

3 Director, Air Division (AIR-1)

4 U.S. Environmental Protection Agency, Region 9

5 75 Hawthorne Street

6 San Francisco, CA 94105  
7  
8

9 45. Notices to ATSC as required by this Consent Decree shall be  
10 submitted to:

11 Steve Comley, HSSE Advisor

12 BP Pipelines NA

13 1300 Pier Blvd., #T2-125

14 Long Beach, CA 90813  
15  
16

17 Deborah Felt, Senior Attorney

18 BP America Inc.

19 6 Centerpointe Drive, 5th floor

20 LaPalma, CA 90623  
21  
22

## 23 X. MISCELLANEOUS 24

25 46. If ATSC violates any requirement of this Consent Decree, ATSC  
26 shall notify the United States of such violation and its likely duration in writing  
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1 within ten working days of the day ATSC first becomes aware of the violation,  
2 with an explanation of the violation's likely cause and of the remedial steps taken,  
3 and/or to be taken, to prevent or minimize such violation. Nothing in this  
4 Paragraph or the following Paragraph relieves ATSC of its obligation to provide  
5 the requisite notice for purposes of Section VII (Force Majeure).  
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8  
9 47. Any information provided pursuant to this Consent Decree may be  
10 used by the United States in any proceeding to enforce the provisions of this  
11 Consent Decree and as otherwise permitted by law.  
12

13 48. The reporting requirements of this Consent Decree do not relieve  
14 ATSC of any reporting obligations required by the Clean Air Act or implementing  
15 regulations, or by any other federal, state, or local law, regulation, permit, or other  
16 requirement.  
17  
18

19 49. Entry of this Consent Decree and compliance with the requirements  
20 herein resolves the civil claims of the United States against ATSC only as alleged  
21 in the Complaint filed in this action through the date of lodging of the Decree.  
22  
23

24 50. Except as specifically provided herein, the United States does not  
25 waive any rights or remedies available to it for violation by ATSC of federal or  
26 state laws or regulations. This Consent Decree shall in no way affect the United  
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28

1 States' ability to bring future actions for any claims not alleged in the Complaint  
2  
3 in this case and settled by this Consent Decree. This Consent Decree does not  
4 relieve ATSC of any criminal liability.

5  
6 51. This Consent Decree in no way affects ATSC's responsibilities to  
7 comply with all federal, state, or local laws and regulations.

8  
9 52. Each party shall bear its own costs and attorney's fees in this action.

10  
11 53. This Consent Decree contains the entire agreement between the  
12 parties. This Consent Decree may not be enlarged, modified, or altered unless  
13 such modifications are made in writing and approved by all parties and the Court.

14  
15 54. This Consent Decree shall terminate according to the procedure  
16 provided in this Paragraph. No earlier than five years from the date of entry of the  
17 Decree or one year after inclusion of the control requirements of Paragraph 20 are  
18 incorporated into a SCAQMD PTO or ATC for the Marine Terminal, as required  
19 by Paragraph 24, whichever comes later, and no earlier than one year after ATSC  
20 has fully satisfied the requirements of this Consent Decree, including Section III  
21 (Supplemental Environmental Projects), ATSC shall provide the United States  
22 with notice, stating that ATSC has satisfied all obligations of the Consent Decree,  
23 and believes the Consent Decree should be terminated. ATSC's notice shall refer  
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1 to this Paragraph by number. After receiving notice from ATSC, the United States  
2 will provide ATSC with a written response, either stating that the United States  
3 agrees that the Consent Decree should be terminated, and submitting a motion to  
4 this Court requesting that the Consent Decree be terminated, or stating the United  
5 States has determined that the Consent Decree should not be terminated. If the  
6 United States fails to provide written response within SIXTY (60) days after  
7 receiving written notice from ATSC or if the United States determines that the  
8 Consent Decree should not be terminated, ATSC may initiate dispute resolution  
9 procedures pursuant to Section VIII (Dispute Resolution).

14 55. The Court shall retain jurisdiction to resolve any disputes that arise  
15 under this Consent Decree, including any disputes pending at the time the Consent  
16 Decree is terminated.

19 56. The parties represent that each undersigned signatory signing on their  
20 behalf has full authority to sign the Consent Decree and to bind said party to the  
21 terms and conditions of the Consent Decree.

24 57. ATSC agrees and acknowledges that final approval of this Consent  
25 Decree by the United States and entry of this Consent Decree is subject to the  
26 requirements of 28 C.F.R. § 50.7, which provides for notice of the lodging of this  
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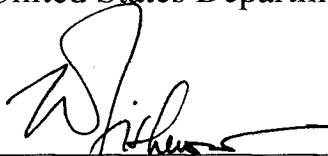
1 Consent Decree in the Federal Register, opportunity for public comment for at  
2 least THIRTY (30) days, and consideration of any comments prior to entry of the  
3  
4 Consent Decree by the Court. The United States reserves the right to withdraw  
5  
6 consent to this Consent Decree based on comments received during the public  
7  
8 notice period. ATSC consents to entry of this Consent Decree without further  
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10 notice to the Court. Upon approval and entry, this Consent Decree shall constitute  
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12 a final judgment under Rules 54 and 58 of the Federal Rules of Civil Procedure.

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IT IS SO ORDERED this \_\_\_\_ day of \_\_\_\_\_, 2005.

\_\_\_\_\_  
UNITED STATES DISTRICT JUDGE

1 THE UNDERSIGNED PARTIES enter into this Consent Decree in the matter of  
2 United States of America v. ARCO Terminal Services Corp.

3  
4 For the United States of America  
5 United States Department of Justice:

6 

7 Dated: \_\_\_\_\_

8 W. BENJAMIN FISHEROW  
9 Deputy Section Chief  
10 Environmental Enforcement Section  
11 Environment & Natural Resources Division  
12 United States Department of Justice

13 Dated: \_\_\_\_\_

14 ANGELA O'CONNELL  
15 Trial Attorney  
16 Environmental Enforcement Section  
17 Environment & Natural Resources Division  
18 United States Department of Justice  
19 P.O. Box 7611  
20 Washington, D.C. 20044-7611  
21  
22  
23  
24  
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1 THE UNDERSIGNED PARTIES enter into this Consent Decree in the matter of  
2 United States of America v. ARCO Terminal Services Corp.

3  
4 For the United States Environmental  
5 Protection Agency:

6 Dated: \_\_\_\_\_

7 \_\_\_\_\_  
8 PHYLLIS HARRIS  
9 Acting Assistant Administrator for  
10 Enforcement and Compliance Assurance  
11 United States Environmental  
12 Protection Agency  
13 Washington, D.C.

14 Dated: \_\_\_\_\_

15 \_\_\_\_\_  
16 WAYNE NASTRI  
17 Regional Administrator  
18 United States Environmental  
19 Protection Agency, Region 9  
20 San Francisco, CA 94105

21 OF COUNSEL:

22 IVAN LIEBEN

23 Assistant Regional Counsel  
24 United States Environmental  
25 Protection Agency, Region 9  
26 75 Hawthorne Street (ORC-2)  
27 San Francisco, CA 94105

28 DANIEL REICH

Assistant Regional Counsel  
United States Environmental  
Protection Agency, Region 9  
75 Hawthorne Street (ORC-2)  
San Francisco, CA 94105


THE UNDERSIGNED PARTIES enter into this Consent Decree in the matter of United States of America v. ARCO Terminal Services Corp.

For the Defendant, ARCO Terminal  
Services Corp.

Dated:

JULY 18, 2005

DPK

  
\_\_\_\_\_  
Tim T. Scruggs  
Vice President



## ATSC Supplemental Environmental Project - ATTACHMENT 1

1. Overview The ARCO Terminal Services Corp. Supplemental Environmental Project (“ATSC SEP”) involves reducing particulate matter and other harmful air pollutants from diesel engine exhaust by reducing emissions from diesel-fueled nonroad and onroad equipment and vehicles. ATSC will provide the funding to control diesel engine exhaust on vehicles and equipment currently operated and maintained at the Port of Los Angeles and Port of Long Beach (“the Ports”), and by truck fleets and owner/operators of trucks traveling within the geographic area of the Ports. None of the vehicles or equipment are owned or operated by ATSC. The purpose of the ATSC SEP is to: (a) reduce the discharge of pollutants into the Port’s environment and (b) further environmental justice goals by mitigating damage or reducing risk to minority or low income populations which may have been disproportionately exposed to pollution or environmental risk. The ATSC SEP will be composed of individual projects managed on behalf of ATSC by the California Air Resources Board (“CARB”) or the Gateway Cities’ Program (“Gateway”), or other entity that may later be designated upon mutual agreement of ATSC and EPA. Reference herein to CARB or Gateway shall be applicable to such designated entity, as appropriate.

The projects will be funded through an escrow account established by ATSC. CARB or Gateway shall propose projects to ATSC who shall be responsible for requesting the escrow agent to release funds for projects consistent with the parameters identified in Paragraph 2 of Attachment 1. EPA reserves the right to object to the approval of a project because it is

Attachment 1

inconsistent with the terms of the Consent Decree. Any SEP funds that have not been expended within the period prescribed in paragraph 6 of the Consent Decree shall revert to the U.S.

Treasury as stipulated penalties under paragraph 28 of the Consent Decree.

2. Project Parameters ATSC shall spend a total of not less than \$675,000, plus any interest earned, to implement the ATSC SEP. The ATSC SEP shall be completed by no later than three (3) years from entry of the Consent Decree, or at another time mutually agreed upon in writing by ATSC and EPA. Not earlier than one year after the entry of the Consent Decree, ATSC may request a one year extension to complete implementation of the ATSC SEP. The extension may be requested if ATSC reasonably believes that the ATSC SEP is not likely to be completed within 3 years of entry of the Consent Decree notwithstanding ATSC's good faith effort to achieve such timely completion. EPA shall have thirty (30) days to object to such request or it shall be deemed approved. The ATSC SEP may provide funding for the following eligible SEP expenses:

(a) Nonroad equipment and vehicles. CARB shall oversee and make recommendations on the use of ATSC SEP funds for projects that use emission control technologies for nonroad diesel equipment and vehicles. CARB shall be authorized to solicit participation from interested parties who wish to obtain SEP funds to apply emission control technologies on nonroad equipment and vehicles at the Ports. To that end, CARB may establish a process for identifying and implementing projects in accordance with State law. Among other things, where appropriate, CARB may use data logging of nonroad diesel equipment such as fork lifts, side and top picks, terminal tractors and rubber tire gantry cranes ("RTGs") to determine if applications of advanced

Attachment 1

emissions controls are technically feasible for installation as part of the ATSC SEP. CARB shall place a priority on recommending projects that install diesel particulate filters (“DPFs”) on equipment where it is technically feasible to do so. In addition, CARB may recommend projects using other controls such as selective catalytic reduction (“SCR”) on RTGs in conjunction with DPFs or active traps. CARB may recommend diesel oxidation catalysts (“DOCs”) as a control where it is determined not technically feasible to install a DPF, so long as they are not installed on terminal tractors. CARB may also recommend funding projects that use a new onroad engine to repower an offroad application. In such case the SEP would fund the difference in cost between the new onroad engine and the cost of a new nonroad engine.

(b) Other nonroad applications. CARB may recommend projects that use “Green Goat” hybrid technology for use in locomotives and for control of construction equipment including backhoes, bulldozers, front loaders and offroad trucks.

(c) Onroad equipment and vehicles. Gateway will oversee and recommend ATSC SEP funds to be applied to emission control technologies for onroad diesel vehicles. Gateway will be responsible for issuing request for proposals (“RFPs”) and soliciting interest from parties who wish to apply emission control technologies on onroad vehicles used in the geographic area of the Ports. With respect to onroad diesel trucks, a priority for controls will be placed on controlling engine models 1994 to 2000 with DPFs and engine models 1988 to 1993 with DOCs. Allowable controls may include DPFs and DOCs on new and repowered truck engines where Gateway makes a finding that there is insufficient interest from owners and operators to control the priority engine models, as described above. Only controls that have been verified by CARB

Attachment 1



or EPA for onroad applications will be funded for onroad trucks. The owner or operator of any truck (or fleet of trucks) must certify that 70 percent of the vehicle miles driven by the controlled trucks are within a 25 mile radius of one of the Ports and other requirements established by Gateway. This certification shall be made prior to the release of funds.

(d) Ultra Low Sulfur Diesel Fuel ("ULSD"). The ATSC SEP funds may be used to offset the cost of using ULSD for use in onroad and nonroad vehicles and other equipment that are controlled in these projects. ULSD is onroad diesel fuel that complies with all CARB requirements and has a sulfur content of less than or equal to 15 parts per million ("ppm"). The increased cost differential between CARB required diesel fuel and ULSD from the commencement of the ATSC SEP until June 1, 2006, may be considered an allowable expense. After June 1, 2006, the ATSC SEP funds shall not be used for ULSD.

(e) SEP evaluation expenses. SEP funds may be used for quantifying emission reductions achieved by installation of emission control devices. The evaluation shall measure an emissions baseline, with and without the installation of applicable controls, and an emissions level after the equipment has been in operation with the controls, with and without the installation of the applicable controls. Expenses may be allowed for evaluating how the equipment involved in the SEP operationally performed. No evaluation expenses related to emissions shall be allowed for any controls that have previously been CARB or EPA verified for the application. Total evaluation expenses shall not exceed twenty percent of the ATSC SEP funds.

(f) Other eligible SEP expenses. SEP funds may be used for expenses necessary to

implement approved projects including: 1) the costs of data logging and other preliminary evaluations, as determined by CARB, for determining the technical effectiveness of applying controls; 2) purchase, installation and appropriate maintenance of controls; 3) a subsidy for ULSD as described in subparagraph (d) above; 4) incremental engine costs as described in subparagraph (a) above; 5) the costs for preparation of reports related to the SEP and for the dissemination of results; and 6) administrative, oversight or other implementation expenses incurred by Gateway, CARB or another entity proposed by ATSC and agreed to by EPA. These administrative expenses shall not exceed 15% of the total amount of requests for release of funds. The control vendor's bid should include its costs for planning and for completing the necessary reports. No expenses incurred by ATSC related to the implementing the projects shall be considered eligible SEP expenses.

3. Implementation Schedule The ATSC SEP shall be performed on the following schedule:

(a) No later than thirty (30) days after entry of the Consent Decree, ATSC shall establish an interest-bearing escrow account that meets the requirements of the Consent Decree and this Attachment 1. The escrow agreement shall incorporate provisions required by Paragraph 4 below and shall specifically identify ATSC as the depositor. The agreement shall also identify the bank or other comparable commercial entity that will act as escrow agent with authority to release funds in accordance to the conditions set forth in the escrow agreement. CARB or Gateway shall be designated as the party with authority to request the release of escrowed funds for activities within the scope of the ATSC SEP. ATSC, subject to approval by EPA, shall consider the

Attachment 1

recommendations of CARB or Gateway and decide which projects shall be funded.

(b) A CARB or Gateway recommendation may be funded in one of two different ways consistent with the requirements set forth in Paragraph 4 below:

(i) Reimbursement for already incurred expenses. Prior to authorizing the escrow agent to release ATSC SEP funds for project costs that have already been incurred, ATSC shall obtain the following information, in writing, from CARB or Gateway, which shall be forwarded to EPA: (a) a list of vehicles and equipment controlled and/or provided ULSD as part of the ATSC SEP, along with a listing, for each, of the location(s) at which each is garaged and fueled, the Horsepower ("Hp"), the estimated annual miles or hours of operation, and the projected number of years remaining in service; (b) a schedule for the contracting and purchase of control technologies and for the installation and maintenance of the vehicles and equipment; (c) a schedule for the contracting, purchase and supply of ULSD under the ATSC SEP; (d) itemized receipts and a detailed breakdown of expenses; and (e) for any request to release escrowed funds, a statement indicating whether additional requests for release of escrowed funds are anticipated from the ATSC SEP. In addition, prior to authorizing the escrow agent to release funds for SEP implementation, ATSC shall also review all contracts with vendors involved in implementation, including any and all contracts pertaining to control equipment and/or labor for installation and maintenance of controls under the ATSC SEP. EPA shall have thirty (30) days to object to the request for reimbursement in accordance with Subparagraph 4(b) below.

(ii) Approval before project costs have been incurred. Alternatively, prior to any

Attachment 1

authorization provided by ATSC to the escrow agent to release ATSC SEP funds for project costs that have not yet been incurred, ATSC shall obtain the information in Subparagraph 3(b)(i) above. With respect to Subparagraph 3(b)(i)(d), ATSC shall obtain proposed, instead of actual, itemization of receipts and detailed breakdown of expenses. The information shall be in writing, from CARB or Gateway, and shall be forwarded to EPA. In addition, prior to authorizing the escrow agent to release funds for SEP implementation, ATSC shall also review all contracts with vendors involved in implementation, including any and all contracts pertaining to control equipment and/or labor for installation and maintenance of controls under the ATSC SEP. EPA shall have thirty (30) days to object to the request for reimbursement in accordance with Subparagraph 4(b) below.

4. Other Escrow Requirements In addition to the escrow requirements in the Consent Decree and Paragraph 3 above, the following requirements are applicable to the ATSC SEP:

(a) The escrow account established by ATSC for the ATSC SEP shall be an interest bearing escrow account with J.P. Morgan Trust Company, National Association Institutional Trust Services, 227 West Monroe, 26th Floor, Chicago, IL 60606 ("Bank") in the amount of SIX HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$675,000). The escrow instructions shall limit payments on requests from Gateway to \$125,000, plus any interest earned, and from CARB to \$550,000, plus any interest earned. Upon mutual agreement of ATSC and EPA, an additional party may be authorized to request the release of funds in place of Gateway and/or CARB. The escrow account instructions shall limit and restrict the use of the escrowed funds to costs related to implementing the Project Parameters identified in Paragraph 2 above. ATSC shall

Attachment 1

communicate to CARB or Gateway in writing, and the escrow instructions shall reflect, that any payments on CARB or Gateway recommended projects from the escrow, up to a total of \$675,000, plus any interest earned, are conditioned on the funds being spent on activities specifically contemplated by Paragraph 2 above. The escrow instruction shall also provide that, if one party with authority to request the release of escrowed funds (e.g., CARB or Gateway) has remaining, unexpended escrow funds (e.g., because of a lack of approvable projects), such remainders shall, upon agreement by EPA, be directed at any time to another oversight party (e.g., CARB, Gateway, etc.) to authorize the release of escrowed funds.

(b) ATSC shall send a copy of the Consent Decree with all Appendices and Attachments to CARB and Gateway, no later than ten (10) days of its entry by this Court, at the addresses listed below. To receive funding authorization, CARB or Gateway must provide ATSC with all of the information required by Subparagraph 3(b)(i) and/or 3(b)(ii) of this Attachment. ATSC shall provide EPA with a copy of such information and, within thirty (30) days of EPA's receipt, EPA shall contact ATSC if EPA objects to the release of funds on CARB or Gateway recommended projects. EPA may object to the release of funds if it believes that the information shows the proposed escrow withdrawal is inconsistent with the requirements pertaining to the use of escrowed funds, as set forth in the Consent Decree and this Attachment or if EPA believes there is insufficient information to make such a determination. If ATSC finds the proposed prior approval or withdrawal consistent with this settlement and receives no objection from EPA within EPA's review period, ATSC shall instruct the Bank to release the requested funds to the CARB or Gateway recommended projects. The failure of EPA to object in a timely manner, as

Attachment 1

described above, shall be deemed an approval by EPA. Each time ATSC instructs the Bank to release funds to CARB or Gateway, ATSC shall copy EPA with such correspondence.

(c) ATSC shall specify in the escrow instructions that the agent, [Bank], authorization for the release of funds may only be given by ATSC after CARB or Gateway has presented a certification to ATSC bearing the signature of the Executive Officer of CARB or the Executive Director of Gateway. The certification shall state that: (i) the funds to be withdrawn will be used as contemplated by the Consent Decree and this Attachment and (ii) the certification has been served by mail on EPA Region 9 and the Bank.

(d) The escrow agreement shall specify that CARB or Gateway must submit requests drawing upon all funds in the escrow account, including any accrued interest, on or before three (3) years of entry of the Consent Decree. The escrow agreement shall provide that any and all funds remaining in the escrow account, including interest, shall, no later than three (3) years after the entry of the Consent Decree, be remitted by the escrow agent, within thirty (30) days, to the U.S. Treasury as a stipulated penalty in accordance with the procedures set forth in Section V of the Consent Decree, subject to any extension of time as provided in Paragraph 2 herein.

##### 5. Anticipated Roles and Responsibilities

(a) The role of CARB or Gateway will be to provide oversight for the ATSC SEP. CARB will oversee the Project Parameters identified in Paragraph 2(a) herein involving nonroad equipment and vehicles and ULSD. Gateway will oversee the Project Parameters identified in Paragraph 2(b) herein involving onroad equipment and ULSD. The oversight provided by CARB

Attachment 1

and Gateway will involve: (1) issuing requests for proposals or equivalent documents for the projects (e.g., RTGs, fork lifts, nonroad engine replacements. etc.); (2) compiling and reviewing the information required by Paragraphs 5(a) and 3(b) herein from contractors or vendors performing the work (For each vehicle or piece of equipment where controls will be installed such information shall include, but not be limited to, an identification of the vehicle or piece of equipment, a description of the proposed control technology, how the controls will be installed, and the proposed process for removal of the existing exhaust system components); (3) ensuring that preference will be given to contractors and vendors that install demonstrated control technologies on nonroad equipment and vehicles that apply onroad control strategies capable of achieving CARB Level 3 particulate matter reductions of 85 percent or .01 gram per brake-horsepower hour, operate on only ULSD fuel (less than 15 parts per million of sulfur), and have a minimum horsepower of 50; (4) ensuring that preference will be given to control vendors or contractors that have demonstrated the controls in practice; (5) providing preference to projects where SEP funds can be leveraged by contributions of outside funding, provided that such outside funding complies with the current U.S. EPA SEP Policy (Wherever possible, however, ATSC funds should be expended first before any leveraged funds are applied); (6) requiring that the purchase and installation of controls are subject to all customary warranties; and (7) providing information to ATSC related to implementation of the SEP, including the basis for project selection, environmental benefits associated with the projects, project completion and other information ATSC determines would be necessary to comply with the terms of the ATSC SEP.

Attachment 1

(b) The warranty provisions identified in CARB's Proposed Warranty Requirements for Large Spark Ignition Engines (section 2487;12/7/04 Draft) shall apply where CARB determines they are applicable.

(c) Gateway will consider approaches to finding prospective applicants that are fleets or owner/operators and shall ensure that vendors submit joint applications with the fleet or owner/operator in order to demonstrate all the parties' commitment.

(d) CARB shall establish a technical advisory committee ("TAC") to comment on preferred technical options no later than three (3) months after entry of the Consent Decree and shall meet at least once during the duration of the SEP. The TAC will be advisory in nature and shall not oversee or manage the escrow account. In addition to CARB, invitations to join the TAC shall be extended to the South Coast Air Quality Management District, the Ports and Gateway.

6. Follow-up Within sixty (60) days after all money is expended from the escrow account, ATSC shall conduct an audit of funds released from the account for proposed expenses to determine, to the extent possible, that such funds were, in fact, spent as proposed by CARB, or Gateway. Such audits may be conducted by third party contractors. The audit of funds, as described in this paragraph, shall not be considered an eligible SEP expense.

7. Addressees Notwithstanding the notice provisions set forth in the Consent Decree, whenever notifications, submissions, or communications regarding the ATSC SEP are required by the Consent Decree and Attachment 1 hereto, such notification, submission, or

Attachment 1



communication shall be made in writing and addressed as follows:

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Manager, Technical Assessment Branch  
California Air Resources Board  
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Sacramento, CA 95812

Mr. Jack Joseph  
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Sarah J. Siewak  
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Dr. Robert Kanter  
Director of Planning  
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Dipankar Sarkar

Attachment 1

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